

5 biggest myths (and lies) about the AT&T/T-Mobile deal

The Federal Communications Commission's damning report about AT&T's proposed bid for T-Mobile accuses the wireless carriers of lies and exaggerations.

Prices would fall

The claim: In its public statement about its merger proposal with T-Mobile, AT&T said prices would fall as a result of the companies combining. The combined company would have more capacity for customers' wireless needs, and could therefore charge lower prices, AT&T suggested.

AT&T also claimed that T-Mobile customers would be forever protected from price increases, because AT&T would agree to honor their current contracts for an unlimited time.

The response: The FCC said it in its staff report that its analysis suggests prices would instead rise if the merger were completed, since AT&T would eat the cheapest national carrier.

Eliminating T-Mobile's competitive price points would also give Verizon and Sprint incentive to raise prices, causing pain in the wallet for the majority of cell phone customers. The FCC called T-Mobile a "disruptive force" in the mobile marketplace that keeps competitors' prices in check.

The regulator also say that it's unlikely T-Mobile customers will remain on their current contracts forever. When they want a new phone, or if they want to upgrade their plan, they'd eventually have to switch. And since everyone else's plans would become more expensive, current T-Mobile customers would have to make the unhappy choice of sticking with old technology or paying a higher price to upgrade than they would have if the merger had never taken place.

It would create jobs

The claim: AT&T says that the merger would create "many thousands of indirect jobs," because the deal would allow for an expansion of the combined company's network infrastructure.

Additionally, AT&T said T-Mobile's redundant, non-management employees would be offered another position in the new company. It said it wouldn't fire any U.S.-based call center employees of either carrier as a result of the merger, and added that it would bring 5,000 outsourced call center jobs back to the United States.

The response: The FCC said that even if AT&T made good on all its proposals, the merger would still result in a net loss of jobs -- both direct and indirect.

Internal AT&T documents show that the company plans on mass layoffs at both carriers, including almost the entirety of T-Mobile's customer service staff, according to the FCC's report. AT&T also

noted that "jobs serving redundant functions would be eliminated to reduce costs."

The FCC said AT&T's proposals for current T-Mobile employees are disingenuous, because call center turnover is extraordinarily high, and AT&T is unlikely to replace those that leave. The regulator also noted that it's unlikely that those employees offered new jobs would be offered attractive positions for the same pay or hours. Many would be given only temporary jobs, and many would likely choose not to accept the new job, the FCC said.

AT&T has also said that it plans to spend far less capital as a result of the merger. That reduced investment is why the FCC concluded that the deal would lead to a "significant reduction of indirect jobs" than if the companies both spent capital on building out infrastructure separately as competitors.

The FCC noted that there's no historical precedent for a merger creating jobs. In fact, there were 70,000 employees at AT&T Mobility in 2002. Since then, AT&T merged with Cingular, Dobson and Centennial, and there are now 67,000 employees at AT&T Mobility.

4G would grow

The claim: AT&T plans to build out its 4G-LTE network to cover 80% of the American population by 2013, and the company has said publicly that it is "very unlikely" that it will expand beyond that -- unless it can get hold of T-Mobile.

The response: The FCC noted that the basis for AT&T's public characterization of its decision to stop at an 80% deployment is a Jan. 3, 2011, internal e-mail from John Stankey, AT&T's business operations chief. In that e-mail Stankey described a meeting with CEO Randall Stephenson in which the company agreed to its 2013 roll-out plan but postponed a decision on its future roll-out for a later date.

"A decision not to say 'yes' at a particular moment is not the same as saying 'no' forever," the FCC said in its report. "We cannot agree that Mr. Stankey's e-mail suggests further consideration of LTE deployment had been ruled out, as opposed to left undecided. The record does not support AT&T's claim that ... future consideration of an expanded LTE deployment was a 'slim possibility.'"

Furthermore, the FCC said it's very unlikely that AT&T would hold tight to its 2013 deployment decision if the merger wasn't to go through, considering competitors' 4G roll-out plans. For instance, Verizon plans to cover 95% of Americans with its 4G-LTE network by the end of 2013. AT&T wouldn't just sit on its hands and let its biggest competitor maintain a much faster network.

Competition would increase

The claim: AT&T said that its merger would increase competition, since regional carriers like MetroPCS and Leap Wireless would add subscribers, essentially filling the void left by T-Mobile. AT&T also says that merging with T-Mobile would not limit competition for its own customers, since the companies don't actually compete.

The response: The FCC said that its analysis of data provided by the wireless carriers suggests that AT&T and T-Mobile are, in fact, competitors. Many AT&T customers switch to T-Mobile and vice versa, viewing one another as a clear second choice.

The companies themselves also acknowledge that by launching ad campaigns directly targeted at one another, the FCC said. Most recently, T-Mobile launched a campaign earlier this year that portrays AT&T's network as a burden to customers.

"Our review of the evidence indicates that T-Mobile is a substitute for AT&T," the FCC said in its report.

That's not the case for small, fringe carriers, the regulator argued.

"We are skeptical of the applicants' position that the regional providers -- firms with considerably less spectrum, much smaller footprints ... -- would and could expand and compete effectively in the space now occupied by T-Mobile."

Expanding the network would be free

The claim: AT&T also stretched the truth about many smaller points. One of note: The company said its merger with T-Mobile would allow the combined company to make its network more efficient and expand capacity at no additional cost.

Another notable claim: AT&T said its data shows that 40% of customers that cancel service due to higher prices will not purchase another cell phone. AT&T said that means the combined company is unlikely to raise prices for fear of losing customers permanently.

The response: The FCC had trouble believing either claim, arguing that AT&T is purposefully inflating statistics to make the proposed merger appear better than it actually would be.

For the network efficiency argument, the regulator said that AT&T neglected to include the costs of

integrating the two networks and phones in its cost assessment. That omission made AT&T's claims of the merger's cost-saving benefits appear far greater than they actually would be.

As for the claim that droves of customers would drop their service and never buy a cell phone again if AT&T raised prices, the FCC called it both "implausible" and "unsupported." AT&T derived that number from its own studies of customers that leave its network, but the FCC said the company's choice in parameters for its calculation were unreasonable.

Sincerely,

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